

**REPORT OF THE AUDIT OF THE
MERCER COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2003**



**CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE MERCER COUNTY FISCAL COURT

**For The Fiscal Year Ended
June 30, 2003**

The Auditor of Public Accounts has completed the Mercer County Fiscal Court audit for fiscal year ended June 30, 2003. We have issued an unqualified opinion on the financial statements taken as a whole. Based upon the audit work performed, the financial statements are presented fairly in all material respects.

Financial Condition:

Fund balances decreased by \$205,373 from the beginning of the year, resulting in a cash balance of \$4,197,909 as of June 30, 2003.

Report Comment:

- The County Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits

Deposits:

The fiscal court's deposits were underinsured and under collateralized by bank securities or bonds.

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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Ernie Fletcher, Governor
Robbie Rudolph, Secretary
Finance and Administration Cabinet
Honorable John Trisler, Mercer County Judge/Executive
Members of the Mercer County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of assets, liabilities, and equity arising from cash transactions of Mercer County, Kentucky, as of June 30, 2003, and the related statement of cash receipts, cash disbursements, and changes in cash balances for the year then ended. These financial statements are the responsibility of the Mercer County Fiscal Court. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, Mercer County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and equity of Mercer County, Kentucky, as of June 30, 2003, the revenues received and expenditures paid, and the cash flows of its enterprise fund for the year then ended in conformity with the modified cash basis of accounting.



To the People of Kentucky
Honorable Ernie Fletcher, Governor
Robbie Rudolph, Secretary
Finance and Administration Cabinet
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Members of the Mercer County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated April 28, 2004, on our consideration of Mercer County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The accompanying financial information listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Mercer County, Kentucky. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Based on the results of our audit, we present the accompanying comment and recommendation, included herein, which discusses the following report comment:

- The County Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits

Respectfully submitted,



Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed -
April 28, 2004

MERCER COUNTY OFFICIALS

For The Fiscal Year Ended June 30, 2003

Fiscal Court Members:

Charles H. McGinnis	County Judge/Executive
Marshall Wayne Russell	Magistrate
J. B. Claunch	Magistrate
Larry Peyton	Magistrate
James William Waggener	Magistrate
Wayne T. Jackson	Magistrate
Eddie Burton	Magistrate

Other Elected Officials:

Douglas L. Greenburg	County Attorney
Cleo W. Baker	Jailer
Larry Short	County Clerk
Rose Bishop	Circuit Court Clerk
Ralph L. Anderson	Sheriff
Neila L. Monroe	Property Valuation Administrator
David Ransdell	Coroner

Appointed Personnel:

Gayle Horn	County Treasurer
Carmen Freeman	Occupational Tax Collector

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STATEMENT OF ASSETS, LIABILITIES,
AND EQUITY BALANCES ARISING FROM CASH TRANSACTIONS

MERCER COUNTY
STATEMENT OF ASSETS, LIABILITIES,
AND EQUITY BALANCES ARISING FROM CASH TRANSACTIONS

June 30, 2003

Governmental Fund Type

General

Assets

Cash and Cash Equivalents	<u>\$ 4,202,152</u>
Total Assets	<u><u>\$ 4,202,152</u></u>

Liabilities and Equity

Liabilities

Payroll Revolving Account	<u>\$ 4,243</u>
Total Liabilities	\$ 4,243

Equity

Fund Balances:	
Reserved	62,202
Unreserved	<u>4,135,707</u>
Total Equity	<u>\$ 4,202,152</u>
Total Liabilities and Equity	<u><u>\$ 4,202,152</u></u>

The accompanying notes are an integral part of the financial statements.

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STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

MERCER COUNTY
STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

For The Fiscal Year Ended June 30, 2003

	General Fund Type			
	General Fund	Road and Bridge Fund	Jail Fund	Local Government Economic Assistance Fund
<u>Cash Receipts</u>				
Schedule of Operating Revenue	\$ 1,585,186	\$ 784,013	\$ 101,651	\$ 9,577
Other Financing Sources:				
Transfers In	1,239,622	400,000	385,000	
Kentucky Advance Revenue Program	1,209,200			
Total Cash Receipts	<u>\$ 4,034,008</u>	<u>\$ 1,184,013</u>	<u>\$ 486,651</u>	<u>\$ 9,577</u>
<u>Cash Disbursements</u>				
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 2,093,798	\$ 996,011	\$ 421,847	\$ 5,584
Other Financing Uses:				
Transfers Out	385,000	39,622		
Capital Lease Principal	100,834			
Kentucky Advance Revenue Program Repaid	1,209,200			
Total Cash Disbursements	<u>\$ 3,788,832</u>	<u>\$ 1,035,633</u>	<u>\$ 421,847</u>	<u>\$ 5,584</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ 245,176	\$ 148,380	\$ 64,804	\$ 3,993
Cash Balance - July 1, 2002	<u>987,432</u>	<u>1,128,701</u>	<u>425,980</u>	<u>50,610</u>
Cash Balance - June 30, 2003	<u>\$ 1,232,608</u>	<u>\$ 1,277,081</u>	<u>\$ 490,784</u>	<u>\$ 54,603</u>

The accompanying notes are an integral part of the financial statements.

MERCER COUNTY
 STATEMENT OF CASH RECEIPTS,
 CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES
 For The Fiscal Year Ended June 30, 2003
 (Continued)

<u>General Fund Type</u>		
<u>Landfill Fund</u>	<u>Payroll and Net Profit Fund</u>	<u>Totals (Memorandum Only)</u>
\$ 93,649	\$ 1,054,928	\$ 3,629,004
50,000		2,074,622
		1,209,200
<u>\$ 143,649</u>	<u>\$ 1,054,928</u>	<u>\$ 6,912,826</u>
\$ 185,803	\$ 30,500	\$ 3,733,543
	1,650,000	2,074,622
		100,834
		1,209,200
<u>\$ 185,803</u>	<u>\$ 1,680,500</u>	<u>\$ 7,118,199</u>
\$ (42,154)	\$ (625,572)	\$ (205,373)
104,356	1,706,203	4,403,282
<u>\$ 62,202</u>	<u>\$ 1,080,631</u>	<u>\$ 4,197,909</u>

The accompanying notes are an integral part of the financial statements.

MERCER COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2003

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements of Mercer County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the application of the criteria stated in GASB 14, there are no component units which merit consideration as part of the reporting entity.

Additional - Mercer County Constitutional Elected Officials

- Circuit Court Clerk
- County Attorney
- County Clerk
- County Sheriff
- Property Valuation Administrator

The Kentucky constitution provides for election of the above officials from the geographic area constituting Mercer County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices.

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The government uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Mercer County Fiscal Court's fund types, a definition of each, and county funds included within each fund type are listed below.

1) General Fund Type

General Fund Type accounts for all financial resources except those required to be accounted for in another fund type. The Mercer County General Fund Type includes the following county funds: General Fund, Road and Bridge Fund, Jail Fund, Local Government Economic Assistance (LGEA) Fund, Landfill Fund, and the Payroll and Net Profit Tax Fund.

MERCER COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2003
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Accounting

For all fund types, the county utilizes a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Long-term receivables, long-term obligations and amounts to be provided in future years to retire debt are recorded in the financial statements. The amount to be provided in future years to retire debt is offset by any cash or cash equivalents held by the county in a bond or debt service fund.

The State Local Finance Officer does not require the county to maintain a general fixed assets group of accounts; therefore the value of the county's fixed assets is not included in the financial statements. These fixed assets include buildings, equipment and land that are owned by the county.

D. Legal Compliance - Budget

The Mercer County budget is adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

E. Cash and Investments

Cash includes amounts in bank accounts, and investments are stated at cost.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

MERCER COUNTY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2003
 (Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

F. Related Organizations

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the following are considered related organizations of Mercer County Fiscal Court: North Mercer Water District and the Mercer County Public Library.

G. Joint Ventures

A legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility is a joint venture.

The County in conjunction with the City of Harrodsburg and the City of Burgin has created the Anderson/Dean Park Board (Board), whose purpose is to oversee the daily maintenance and administration of all business regarding the Anderson/Dean Park. The Board is composed of thirteen board members with six members appointed by the County Judge/Executive, with the approval of the fiscal court, six members appointed by the City of Harrodsburg's Mayor, with the approval of the city council, and one member by the City of Burgin's Mayor, with the approval of the city council. The County and the City of Harrodsburg finance equally the operations budget of the Park. The City of Burgin has elected to make no financial contribution. The County and the City of Harrodsburg jointly own the Park.

The Greater Harrodsburg/Mercer County Planning and Zoning Commission, whose purpose is to carry out a joint county/city planning program in order to assure the development of public and private property in the most appropriate relationships and to promote orderly growth, is a joint commission of Mercer County and the City of Harrodsburg. The County Judge/Executive with the approval of fiscal court appoints three members and the Mayor with the approval of the city council appoints three members. The County has no equity interest.

Note 2. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 6.34 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report.

MERCER COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2003
(Continued)

Note 3. Deposits

The county maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. The county entered into a written agreement with the depository institution and met requirements (a), (b), and (c) stated above. However, as of August 31, 2002, the collateral and FDIC insurance together did not equal or exceed the amount on deposit, leaving \$193,492 of public funds uninsured and unsecured.

Note 4. Capital Leases

A. Health Department Building

On April 3, 1996, the fiscal court on behalf of the Mercer County Health Department entered into an agreement with the Kentucky Association of Counties Leasing Trust Program in the amount of \$450,000 at an interest rate of 4.95% for the construction of a building. During the fiscal year, the county received \$78,554 in interest and principal from the Mercer County Health Department. The county then paid the debt service payments to Bank One (the trustee). As of June 30, 2003, there was no remaining balance.

B. E-911 System

On February 6, 2001, the Mercer County Fiscal Court entered into a lease agreement with the Kentucky Association of Counties Leasing Trust Program for \$25,000. The purpose of this lease was for the purchase of a 911 system. The lease term for this agreement was 5 years with the balance to be paid in full on February 20, 2006, however, the fiscal court decided to terminate this lease agreement because the actual price of the 911 equipment purchased was significantly less than the agreement amount. This lease was cancelled on November 22, 2002, at which time the remaining balance of \$24,222 was paid off. As of June 30, 2003, there was no remaining balance.

Note 5. Interlocal Cooperation Agreement

Mercer County has entered into an Interlocal Cooperation Agreement with Boyle County to share in the cost of a regional jail facility. The facility will be owned by Boyle County. Mercer County agrees to pay a percentage, not below 35%, nor to exceed 50%, of the yearly costs in exchange for use of the facility for Mercer County prisoners.

MERCER COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2003
(Continued)

Note 6 . Insurance

For the fiscal year ended June 30, 2003, Mercer County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 7. Solid Waste Landfill

Mercer County Fiscal Court (the County) operated a landfill, which ceased operations on June 30, 1992. The County initiated closure operations in August 1991. Closure costs were estimated to be \$52,700 and the County completed the steps necessary to close the landfill. The County appears to have met all federal, state, and local laws and regulations in regard to the closure of the landfill. Postclosure care consists primarily of groundwater monitoring and landscape maintenance. The County is required to file reports with the appropriate regulatory agencies regarding the findings and groundwater monitoring activities. Postclosure costs are included in the Landfill Fund. Inflation, deflation, technology, or applicable laws and regulations could affect these costs.

Note 8. Subsequent Events

- A. On September 20, 2003, Mercer County Judge/Executive Charles H. McGinnis passed away. John Trisler was appointed to serve as County Judge/Executive until the upcoming general election to be held on November 2, 2004.
- B. On June 30, 2003, Mercer County Clerk Larry Short retired. Bruce Harper was appointed to serve as County Clerk until the general election, which was held on November 4, 2003.
- C. On November 4, 2003, Ronnie Compton was elected Mercer County Clerk.

COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

MERCER COUNTY
COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

For The Fiscal Year Ended June 30, 2003

<u>Budgeted Funds</u>	Budgeted Operating Revenue	Actual Operating Revenue	Over (Under) Budget
<u>General Fund Type</u>			
General Fund	\$ 2,029,024	\$ 1,585,186	\$ (443,838)
Road and Bridge Fund	757,212	784,013	26,801
Jail Fund	72,718	101,651	28,933
Local Government Economic Assistance Fund	13,000	9,577	(3,423)
Landfill Fund	67,500	93,649	26,149
Payroll and Net Profit Fund	<u>1,075,000</u>	<u>1,054,928</u>	<u>(20,072)</u>
Totals	<u>\$ 4,014,454</u>	<u>\$ 3,629,004</u>	<u>\$ (385,450)</u>

Reconciliation

Total Budgeted Operating Revenue Above	\$ 4,014,454
Add: Budgeted Prior Year Surplus	1,235,146
Less: Other Financing Uses	<u>(81,000)</u>
Total Operating Budget Per Comparative Schedule Of Final Budget and Budgeted Expenditures	<u>\$ 5,168,600</u>

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SCHEDULE OF OPERATING REVENUE

MERCER COUNTY
SCHEDULE OF OPERATING REVENUE

For The Fiscal Year Ended June 30, 2003

GOVERNMENTAL
 FUND TYPE

<u>Revenue Categories</u>	<u>General Fund Type</u>
Taxes	\$ 1,991,750
In Lieu Tax Payments	5,565
Excess Fees	142,116
Licenses and Permits	45,657
Intergovernmental Revenues	1,142,628
Charges for Services	82,375
Miscellaneous Revenues	87,799
Interest Earned	<u>131,114</u>
Total Operating Revenue	<u>\$ 3,629,004</u>

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COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

MERCER COUNTY
COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

For The Fiscal Year Ended June 30, 2003

Expenditure Categories	GENERAL FUND TYPE		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
General Government	\$ 620,456	\$ 557,671	\$ 62,785
Protection to Persons and Property	1,053,983	752,465	301,518
General Health and Sanitation	688,950	583,258	105,692
Social Services	353,400	42,113	311,287
Recreation and Culture	536,160	309,176	226,984
Transportation Facilities and Service	11,000	5,114	5,886
Roads	1,009,470	881,735	127,735
Airports	700	650	50
Debt Service	5,000	13,121	(8,121)
Capital Projects	124,220		124,220
Administration	765,261	588,240	177,021
Total Operating Budget - General Fund Type	\$ 5,168,600	\$ 3,733,543	\$ 1,435,057
Other Financing Uses:			
Capital Lease Agreement- Principal on Lease	81,000	100,834	(19,834)
TOTAL BUDGET - GENERAL FUND TYPE	<u>\$ 5,249,600</u>	<u>\$ 3,834,377</u>	<u>\$ 1,415,223</u>

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable John Trisler, Mercer County Judge/Executive
Members of the Mercer County Fiscal Court

**Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards**

We have audited the financial statements of Mercer County, Kentucky, as of and for the year ended June 30, 2003, and have issued our report thereon dated April 28, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Mercer County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under Government Auditing Standards and which is described in the accompanying comment and recommendation.

- The County Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Mercer County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.



Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed -
April 28, 2004

COMMENT AND RECOMMENDATION

MERCER COUNTY
COMMENT AND RECOMMENDATION

For The Fiscal Year Ended June 30, 2003

REPORTABLE CONDITIONS

None.

NONCOMPLIANCE

The County Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits

On August 31, 2002, \$193,492 of the county's deposits of public funds in depository institutions was uninsured and unsecured. According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with Federal Deposit Insurance Corporation insurance, equals or exceeds the amount of public funds on deposit at all times. We recommend that the county require the depository institution to pledge or provide collateral in an amount sufficient to secure deposits of public funds at all times.

County Judge/Executive John Trisler's Response:

The County Judge and the County Treasurer met with top management of each bank this past year and discussed the importance of the bank having sufficient securities pledged for each fund. We plan to meet immediately with the President of Lawrenceburg Bank and discuss how this can be monitored better in the future.

PRIOR YEAR FINDINGS

None.

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CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM

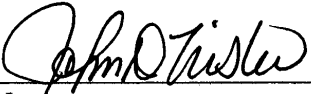
MERCER COUNTY FISCAL COURT

For The Fiscal Year Ended
June 30, 2003


CERTIFICATON OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
MERCER COUNTY FISCAL COURT

Fiscal Year Ended June 30, 2003

The Mercer County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended, as dictated by the applicable Kentucky Revised Statutes.



Name
Judge Executive



Name
County Treasurer

